

Commercial Bank Examination Manual



Division of Banking Supervision and Regulation

Commercial Bank Examination Manual



Fourth Printing, March 1994

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Commercial Bank Examination Manual

Supplement 1—November 1994

Supplement 1 (November 1994) to the *Commercial Bank Examination Manual* is attached. This supplement updates the following sections of the manual:

- Internal Control (section 1010.1)
- Classification of Credits (section 2060.1)
- Real Estate Loans (section 2090.1)
- Assessment of Capital Adequacy (section 3020.1)

- Asset Securitization (section 4030.1)
 - Real Estate Appraisals and Evaluations (section 4140.1)
- A new section has been added:
- Prompt Corrective Action (section 4133.1 and 4133.2)

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Supplement 2—May 1995

Supplement 2 (May 1995) to the *Commercial Bank Examination Manual* is attached. This supplement updates the following sections of the manual:

- Federal Reserve System Surveillance Program (section 1020.1)
- Loan Portfolio Management (section 2040.1)
- Other Real Estate Owned (section 2200.1)
- Meetings with Board of Directors (section 5030.1)

Changes were also made to the following sections:

- Commercial Loans: Examination Procedures (section 2080.3)
A reference to section 3500.0, “Tie-In Considerations of the BHC Act,” of the *Bank Holding Company Supervision Manual* was added under step e. on page 4.
- Real Estate Construction Loans (section 2100.1)
The last sentence and the first footnote in the partial paragraph at the top of page 3 were deleted. A new sentence on construction loans without permanent takeout commitments was added, and the footnotes on pages 4–11 were renumbered.

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Supplement 3—November 1995

This supplement updates the following sections:

- Federal Reserve System Surveillance Program (sections 1020.1 and 1020.2).
- Acquisition and Management of Nontrading Securities and Derivative Instruments (section 2020) replaces the former Investment Securities section. Sections 2020.1 and 2020.2 have been updated; sections 2020.3 and 2020.4 have been reissued to reflect the name change.
- Bank Dealer Activities (sections 2030.1 and 2030.2)
- Allowance for Loan and Lease Losses (sections 2070.1 and 2070.2)
- Other Real Estate Owned (section 2200.2). The effective date has been corrected.
- Deposit Accounts (section 3000.1). Information on pass-through deposit insurance was added to the Special Deposit-Related Issues subsection. Examination Objectives (section 3000.2) were reviewed and the effective date was updated.
- Assessment of Capital Adequacy (section 3020.1). The introduction was revised and information on deferred-tax assets was added to the Capital Adjustments subsection. The Overall Assessment of Capital Adequacy subsection was revised to include discussions of capital ratios, the impact of management, financial considerations, the adequacy of and compliance with capital-improvement plans, an inadequate allowance for loan and lease losses, ineligible collateral and guarantees, the market value of bank stock, subordinated debt in excess of limits, and unrealized asset values. A new subsection, De Novo Banks,

was added. Examination Objectives (section 3020.2) were reviewed and the effective date was updated.

- Contingent Claims from Off-Balance-Sheet Credit Activities (section 4110.1) replaces the former Off-Balance-Sheet Activities section. Examination Objectives (section 4110.2) have also been issued.
- Real Estate Appraisals and Evaluations (section 4140.1). A new paragraph on real estate formerly pledged as collateral to secure an extension of credit acquired through foreclosure proceedings was added to the beginning of the Reappraisals and Revaluations subsection. Examination Objectives (section 4140.2) were reviewed and the effective date was updated.
- Wire Transfer, section 4180, has been renamed and renumbered as Payments System Risk and Electronic Funds Transfer Activity, section 4125. Sections 4125.1 and 4125.2 have been updated; sections 4125.3 and 4125.4 have been reissued to reflect the name change. Material previously contained in appendix sections A.4180.1 and A.4180.2, Wire Transfer: Automated Funds Transfer Systems and Wire Transfer: Payments System Risk, has also been incorporated into the new section.
- Duties and Responsibilities of Directors (sections 5000.1 and 5000.2)
- Instructions for the Report of Examination (section 6000.1)
- Bank Insurance: Financial Institution Bond and Other Insurance Coverage (section A.4040.1)

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Supplement 4—May 1996

This supplement updates the following sections:

- Federal Reserve System Surveillance Program (section 1020.1). An item on the written-analysis requirement for exception-list banks has been added to the list of bank surveillance procedures in the subsection “Review of Bank Exception List and Reserve Bank Analysis.”
- Cash Accounts (sections 2000.1 and 2000.2).
- Due from Banks (sections 2010.1 and 2010.2).
- Loan Portfolio Management (section 2040.1). The subsection “Loan Administration” has been expanded to include information on loan applications and approvals, account records, payments, credit files, and collateral.
- Concentrations of Credit (section 2050) replaces the former Concentration of Credits section. Sections 2050.1 and 2050.2 have been updated; sections 2050.3 and 2050.4 have been reissued to reflect the name change.
- Commercial and Industrial Loans (section 2080) replaces the former Commercial Loans section. Sections 2080.1 and 2080.2 have been updated; sections 2080.3 and 2080.4 have been reissued to reflect the name change.
- Real Estate Loans (section 2090.1). A subsection on home equity loans has been added.
- Floor-Plan Loans (sections 2110.1 and 2110.2).
- Direct Financing Leases (section 2120) replaces the former Direct Lease Financing section. Sections 2120.1 and 2120.2 have been revised; sections 2120.3 and 2120.4 have been reissued to reflect the name change.
- Consumer Credit (section 2130) consolidates material from three former sections: Installment Loans (section 2130), Check Credit (section 2140), and Credit Card Plans (section 2150). Sections 2130.1 and 2130.2 have been updated; sections 2130.3 and 2130.4 have been reissued to reflect the name change.
- Asset-Based Lending (section 2160) replaces the former Accounts Receivable Financing section. Sections 2160.1 and 2160.2 have been updated; sections 2160.3 and 2160.4 have been reissued to reflect the name change.
- Securities Broker and Dealer Loans (sections 2170.1 and 2170.2).
- Factoring (sections 2180.1 and 2180.2)
- Bank Premises and Equipment (sections 2190.1 and 2190.2)
- Borrowed Funds (sections 3010.1 and 3010.2).
- Analytical Review and Income and Expense (sections 4010.1 and 4010.2).
- Asset Securitization (sections 4030.1 and 4030.2).
- Management of Insurable Risks (section 4040) replaces the former Bank Insurance section. Sections 4040.1 and 4040.2 have been updated; sections 4040.3 and 4040.4 have been reissued to reflect the name change. The tables from section A.4040.1 have been added to the end of the updated section 4040.1.
- Bank-Related Organizations (sections 4050.1 and 4050.2).
- Computer Services (sections 4060.1 and 4060.2)
- Dividends (sections 4070.1 and 4070.2).
- Employee Benefit Trusts (sections 4080.1 and 4080.2).
- Litigation and Other Legal Matters; Examination-Related Subsequent Events (sections 4100.1 and 4100.2).
- Other Non-Ledger Control Accounts (sections 4120.1 and 4120.2).
- Payments System Risk and Electronic Funds Transfer Activities (section 4125.1). The subsection “Third-Party Access Arrangements” has been revised.
- Private Placements (sections 4130.1 and 4130.2).
- Review of Regulatory Reports (sections 4150.1 and 4150.2).
- Sale of Uninsured Nondeposit Debt Obligations on Bank Premises (sections 4160.1 and 4160.2).
- Retail Sales of Nondeposit Investment Products (section 4170) replaces the former Uninsured Annuities section. Sections 4170.1 and 4170.2 have been updated; section 4170.3 has been reissued to reflect the name change.
- Formal and Informal Corrective Actions (section 5040.1) replaces the former Formal Corrective Actions section.
- Other Types of Examinations (section 6010.1).
- International sections:
 - section 7000.0
 - General Introduction (section 7000.1)
 - Glossary (section 7010.1)
 - Loan Portfolio Management (sections 7020.1 and 7020.2)
 - Loans and Current Account Advances (sections 7030.1 and 7030.2)
 - Transfer Risk (sections 7040.1 and 7040.2)

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| <ul style="list-style-type: none"> — Financing Foreign Receivables (sections 7050.1 and 7050.2) — Banker's Acceptances (sections 7060.1 and 7060.2) — Due from Banks—Time (sections 7070.1 and 7070.2) — Letters of Credit (sections 7080.1 and 7080.2) — Guarantees Issued (sections 7090.1 and 7090.2) | <p>Two new sections have been added:</p> <ul style="list-style-type: none"> • Agricultural Loans (sections 2140.1 and 2140.2). • Energy Lending—Production Loans (sections 2150.1 and 2150.2). |
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Supplement 5—November 1996

Section 4090.1, Interest-Rate Risk, has been completely revised for this supplement. The updated section discusses the sources and effects of interest-rate risk, as well as examination considerations for assessing an institution's level of exposure. Examination Objectives, section 4090.2, have also been reissued.

The following sections were updated to reflect guidance contained in SR-letters issued earlier this year:

- Internal Control (section 1010.1)
- Bank Dealer Activities (section 2030.1)
- Deposit Accounts (section 3000.1)
- Payments System Risk and Electronic Funds Transfer Activities (section 4125.1)

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Supplement 6—May 1997

This supplement updated sections 6000.0 and A.5020.1 to incorporate recent revisions to the Uniform Financial Institutions Rating System. Technical revisions were made in several other sections to add the new component on sensitivity to market risk to the CAMEL (now CAMELS) rating system.

Section 6000.0, Instructions for the Report of Examination, includes a new Sensitivity to Market Risk report page and a discussion of the evaluation factors for this area. Additional changes revise or clarify examiner instructions

for other report pages, including the Examination Conclusions and Comments, Asset Quality, Management/Administration, and Earnings pages.

Section A.5020.1, Overall Conclusions Regarding Condition of the Bank: Uniform Financial Institutions Rating System, has been revised to update the definitions of composite ratings and the descriptions and definitions for the six component ratings (capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk).

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Supplement 7—November 1997

Section 2020.1 was revised for this supplement. In addition to renaming the section “Investment Securities and End-User Activities,” the section includes information on the SEC’s new investment-type categories, revises the discussion of unsuitable investment practices, and removes material on structured notes and on zero-coupon and other original-issue discount

products. Sections 2020.2, 2020.3, and 2020.4 have been reissued to reflect the name change.

In Section 4090.1, “Interest-Rate Risk Management,” the information on CAMELS ratings was revised to include the new market-risk component and explain the different ratings used.

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Section 4128.1, Private-Banking Activities, has been added. This new section provides an overview of private banking, describes the critical functions that constitute a private-banking operation, and outlines general guidelines that

examiners can use when reviewing these activities at different types and sizes of institutions. Examination objectives for private banking are included as section 4128.2.

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Supplement 9—November 1998

Section 3010.1, Borrowed Funds, was revised to incorporate various organizational and editorial changes. More significant changes include expanded discussion on appropriate and inappropriate uses of the discount window and the types of acceptable custody arrangements, and Reserve Banks' limits in their lending discretion to institutions that are undercapitalized or assigned a composite "5" CAMELS rating. The examination procedures (section 3010.3) have also been updated.

Section 3020.1, Assessment of Capital Adequacy, has been updated in several areas. Information on the market-risk measure, net unrealized holding gains (losses) on securities available for sale, credit-equivalent computations for derivative contracts, and capital treatment of credit derivatives has been added. The subsections of the intangible assets section on capital adjustments and assets sold with recourse were also revised.

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Supplement 10—May 1999

Section 4030.1, Asset Securitization, has been revised to delete outdated material and clarify the treatment of certain student loan-backed securities.

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Supplement 11—November 1999

Internal Control, section 1010.1, has been revised to update information on the characteristics of an effective internal control system, including the directors' responsibilities; its structure, staffing, and scope; and the implementation of an internal audit. New material on internal audit requirements for small financial institutions has been added.

Section 2070.1, Allowance for Loan and Lease Losses, was updated to include interagency guidance issued after the December 1993 interagency policy statement that is printed in the section. The examination procedures, section 2070.3, were also updated.

Consumer credit, section 2130.1, has been

updated to incorporate the Uniform Retail-Credit Classification and Account-Management Policy, issued in February 1999. The policy outlines the criteria institutions should use for classifying retail credits and provides examiners with guidance for reviewing loan classifications.

Asset Securitization, section 4030.1, has been updated to add a new subsection on capital adequacy requirements for securitization activities, as well as guidance on sound risk-management practices, including board and senior management oversight and stress testing. The examination guidelines for analyzing credit, reputational, and liquidity and market risks were also revised.

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* Page 19, dated May 1996, should also be removed. (The filing instructions for Supplement 10—May 1999 should have stated to remove this page.)

Commercial Bank Examination Manual

Supplement 12—May 2000

Examination Planning

Section 1000.1, “Examination Strategy and Risk-Focused Examinations,” has been completely revised:

- The Federal Reserve System’s examination frequency guidelines for state member banks have been revised. Section 306 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 and section 2221 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 amended the examination frequency guidelines. See SR-97-8. The pre-membership or pre-merger examination guidelines are also revised. See SR-98-28 and section 208.2(e) of Regulation H.
- The section summarizes the Federal Reserve’s risk-focused examination program for community banks and large, complex institutions. This program endorses the concept of conducting, when appropriate, a series of targeted examinations during a supervisory cycle, with each examination focusing on an activity, business line, or legal entity. For more detailed supervisory guidance on the program, see SR-97-24 and its handbook, “Framework for Risk-Focused Supervision of Large, Complex Institutions,” and the handbook’s appendices. See also SR-97-25 and its handbook, “Framework for Risk-Focused Supervision of Community Banks.”
- The section briefly discusses the Federal Reserve System’s ongoing risk-focused supervision program. The program’s standards for management, monitoring (maintenance of an institutional overview, risk matrix, and risk assessment), and periodic reporting, as carried out by a designated central point of contact and dedicated supervisory team for each consolidated organization, are explained. See SR-99-15 for more detailed supervisory guidance.

Assets

In section 2060.1, “Classification of Credits,” the minimum criteria to be used for loan write-ups are revised. The section sets forth the minimum standards for information categories to be presented in the examination report on assets that are subject to special mention or

adverse classifications. Such write-ups are required when management and examiners disagree about the institution’s disposition of assets, or when the institution will be assigned a rating of 3, 4, or 5. The write-ups will be used to support classifications presented to management, and, in the case of problem banks, to support follow-up supervisory actions. A full write-up must provide sufficient detail to support the examiner’s judgment about the rating assigned. See SR-99-24.

Section 2080.1, “Commercial and Industrial Loans,” includes the minimum information that needs to be included on loan line sheets. The examiner must document on the line sheet the loan’s disposition, as well as the reasons for its disposition. The examiner’s judgment will determine the extent of support needed to document the loan-review decision on the line sheet. The line ticket should state the reasons why a loan is passed, listed for special mention, or adversely classified. Line sheets are also to state what information is not available or is unreliable due to deficient loan administration (especially for loan and collateral documentation and collateral values). See SR-99-25.

Section 2090.1, “Real Estate Loans,” provides revised supervisory guidance to be used in evaluating and controlling the risks high LTV loans pose to banks. Further clarification is provided on two exemptions in the 1992 interagency real estate lending standards: the “abundance of caution” exemption and the exemption for loans sold promptly without recourse. There is guidance for calculating the LTV ratio when multiple loans and lenders are involved. Supervisory caution emphasizes the monitoring of high LTV limits. Other risk-management issues are discussed, such as loan review and monitoring, sales of high LTV loans, and compliance risk. The real estate loan examination objectives, procedures, and internal control questionnaire, sections 2090.2, 2090.3, and 2090.4, respectively, also reflect the supervisory guidance for risk-management programs involving high LTV loans. See SR-99-26.

Liabilities and Capital

Section 3020.1, “Assessment of Capital Adequacy,” has been revised to include the capital treatment for credit derivatives that are

used to synthetically replicate collateralized loan obligations (CLOs). The supervisory guidance was developed jointly by the Federal Reserve and the Office of the Comptroller of the Currency. Credit derivatives allow banking institutions to assume or transfer credit risk on a specified or “referenced” asset or pool of assets. CLOs represent asset-backed securities that are supported by various assets such as commercial loans. The capital treatment for three synthetic CLO example transactions is provided: (1) when the entire amount of the referenced portfolio is hedged; (2) when a high-quality senior risk position in the reference portfolio is retained; or (3) when a first-loss position is retained. Minimum conditions are specified for sponsoring institutions wishing to use the transaction 2 synthetic securitization capital treatment. Transaction flow diagrams are provided for each example. See SR-99-32 and its attachment. The examination objectives and procedures, sections 3020.2 and 3020.3, respectively, have been revised to include such synthetic CLOs.

International

The transfer risk examination guidance in section 7040.3 has been significantly revised to

incorporate the “Guide to the Interagency Country Exposure Review Committee” (ICERC). The guide was developed to clarify for the public the ICERC’s evaluation process, and to explain further its role in the supervisory process. New information on the application of ICERC transfer risk ratings is provided, including several categories of exposure that may receive a less severe transfer risk rating, such as short-term bank or trade exposures; securities held in trading accounts; and direct equity investments. A discussion on rating Other Transfer Risk Problems now supplements the discussion on classifications due to transfer risk. The criteria for determining exposures for strong, moderately strong, and weaker countries have been enhanced. See SR-99-35.

Statutes and Regulations

Section 8000.1, “Statutes and Regulations Administered by the Federal Reserve,” has been updated. The references listed apply primarily to state member banks. The table is organized in ascending order according to the United States Code title and section number (for example, 12 USC 1, 12 USC 51b-1...15 USC 18, 15 USC 21, etc.).

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Preface

The bank examination process is the Federal Reserve's fact-finding arm in discharging its regulatory and supervisory responsibilities. The essential objectives of an examination are (1) to provide an objective evaluation of a bank's soundness and compliance with banking laws and regulations, (2) to permit the Federal Reserve to appraise the quality of management and directors, and (3) to identify those areas where corrective action is required to strengthen the bank, improve the quality of its performance, and enable it to comply with applicable laws, rulings, and regulations.

To accomplish these objectives, the examiner should evaluate the prudence of the bank's practices, the bank's adherence to laws and regulations, the adequacy of the bank's liquidity and capital, the quality of the bank's assets and earnings, the nature of the bank's operations, and the adequacy of the bank's internal control and internal audit. The scope of an examination may cover every phase of banking activity, or it may concentrate on specific areas that deserve greater emphasis because of their potential effect on a bank's soundness.

ABOUT THIS MANUAL

The goal of the *Commercial Bank Examination Manual* is to organize and formalize longstanding examination objectives and procedures that provide guidance to the examiner, and to enhance the quality and consistent application of examination procedures. The manual provides specific guidelines for—

- determining the scope of an examination;
- determining the procedures to be used in examining all areas of a bank, including those procedures that may lead to the early detection of trends that, if continued, might result in a deterioration in the condition of a bank;
- evaluating the adequacy of the bank's written policies and procedures, the degree of compliance with them, and the adequacy of its internal controls;
- evaluating the work performed by internal and external auditors;
- evaluating the performance and activities of management and the board of directors;

- preparing workpapers that support examination reports and aid in evaluating the work performed; and
- using objective criteria as a basis for the overall conclusion, and for the resulting comments and criticism, regarding the condition and quality of the bank and its management.

The examiner-in-charge must properly plan and organize the examination before work begins. Initial decisions concerning examination scope can usually be made based on the nature of the bank's operations; its size; the past experience of the examiner-in-charge with the bank; information in the previous examination report, including the condition of the bank at that examination; communications with the bank between examinations; and analysis from the Uniform Bank Performance Report. The planning of work and preexamination procedures are covered in the Examination Planning section of this manual.

Examiners should view the manual as a working tool rather than as a reference manual. In most sections of the manual, examination procedures and internal control questionnaires are provided to form the basis for the examination of a bank. These procedures should lead to consistent and objective examinations of varying scopes. The bank's condition is disclosed by the performance of examination procedures, including review of internal controls and audit function, and the evaluation of the results therefrom, not by the examiner's judgment alone.

For larger banks, additional examination procedures need to be incorporated into the process to effectively examine those institutions' complex organizational reporting and accounting systems. Conversely, some of the procedures contained in this manual do not apply to smaller-sized banks. Additionally, state laws and local characteristics necessitate supplemental procedures. For example, specific procedures relating to various types of agricultural lending have not been developed in this manual. Similarly, state banking laws must be considered when applying the procedures to various areas, such as lending, capital adequacy, and pledging requirements. When modifying the procedures, the examiner-in-charge is responsible for determining that the examination objectives are met and that the examination meets the needs of the individual bank.

The manual is also intended to guide examiners in their efforts to encourage banks to develop written policies and related procedures in all areas where none exist, and to correct situations where there are deficiencies in or a lack of compliance with existing procedures. To aid the examiner, this manual includes topics such as loan portfolio management, investment portfolio management, asset and liability management, earnings analysis, capital analysis, and service area analysis. A section on the appraisal of bank management guides the examiner in assembling and evaluating information from all other manual sections and helps uncover inconsistencies in the application of bank policies among various management groups. Examiners should be able to increase the level of professionalism and the soundness of the banking system by encouraging all banks to follow the best practices that currently exist in the banking industry. In no case, however, should this approach discourage the development and implementation of conceptually sound and innovative practices by individual banks.

Although this manual is designed to provide guidance to the examiner in planning and conducting bank examinations, it should not be considered a legal reference. Questions concerning the applicability of and compliance with federal laws and regulations should be referred to appropriate legal counsel. In addition, the manual should not be viewed as a comprehensive training guide. Separate training programs provide more detailed instructions to assist the examiner in better understanding banking operations and applying examination procedures.

Sections in each part are made up of four subsections, where applicable. They are—

- an overview
- examination objectives
- examination procedures
- internal control questionnaire

The overviews, for the most part, summarize the respective topics. This information is expanded on and reinforced through the Federal Reserve's educational programs and the examiner's experience on the job.

The examination objectives describe the goals that should be of primary interest to the examiner. Two of the objectives determine the scope of the examination for the specific area of examination interest. They are (1) the evaluation of the system of internal control and of bank policies, practices, and procedures, and (2) the evaluation of the scope and adequacy of the audit function. Other common objectives are to determine compliance with laws, regulations, and rulings, and to determine the need for corrective action.

The examination procedures include procedures to be performed during a full-scope, comprehensive examination. In some instances not all of the procedures apply to all banks; examiners may exercise some flexibility depending on the particular characteristics of the bank under examination. The materiality and significance of a given area of bank operations are the examiner's primary considerations in deciding the scope of the examination and the procedures to be performed. Examiner flexibility results in examinations tailored to fit the operations of the bank.

The evaluation of a bank's internal control environment should encompass a review of the internal audit activities and the implementation of selected internal control questionnaires (ICQs), which set forth standards for operational control. Due to the difference between an examination and an audit, it is not contemplated that all ICQs will be implemented in any one examination. The body of ICQs used during the course of the examination should be made up of three elements: (1) those mandated for all examinations, (2) those selected by the examiner-in-charge based upon experience, knowledge of problems within the bank, and perception of risk, and (3) those that focus on areas where on-site evaluation of operational control appears warranted in light of the results of the examina-

HOW TO USE THIS MANUAL

Organization

The *Commercial Bank Examination Manual* is divided into nine major parts, each set off by a divider tab:

- Part 1000—Examination Planning
- Part 2000—Assets
- Part 3000—Liabilities and Capital
- Part 4000—Other Examination Areas
- Part 5000—Assessment of the Bank
- Part 6000—Federal Reserve Examinations
- Part 7000—International
- Part 8000—Statutes and Regulations
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tion of internal audit activities. In addition to serving as a guide during on-site evaluations, the ICQs can be used in the appraisal of operational audit techniques in banks where the scope of internal auditing includes such considerations. The ICQ steps marked with an asterisk require substantiation by observation or testing; they are considered to be fundamental to any control program regardless of the size of the institution. These steps should be incorporated in management control programs in smaller banks to compensate for the absence of internal auditing.

Following the main parts are a listing of statutes and regulations administered by the Federal Reserve and an appendix that includes various forms, checklists, statements, and guidelines, which provide the examiner with additional information regarding certain topics.

Numbering System

The manual is arranged using a numbering system based on the manual's sections and subsections. For example, the overview subsection of the Internal Control section is numbered 1010.1. 1010 is the section number for Internal Control, and .1 is the number for the overview. The examination objectives subsection for that section is numbered 1010.2, and so on. Subsections are always numbered consecutively regard-

less of the number of subsections within a particular section.

The appendix sections begin with the letter A, followed by the number of the section to which the item relates. For example, the Supplement on Internal Auditing for the Internal Control section is numbered A.1010.1. Should the Internal Control section have more than one appendix item, the numbering would appear as A.1010.1, A.1010.2, etc.

Updates

Beginning with the March 1994 reprint of the *Commercial Bank Examination Manual*, all manual pages are dated March 1994. Succeeding updates will be dated the month and year in which they are issued. There is an effective date at the top of the first page of each subsection that shows the last time that subsection was updated.

The manual is usually updated in the spring and fall of each year; special supplements are issued as needed. On the back of the title page is a checklist so you can record when an update has been filed. For this manual to be most useful, it is essential that updated pages be filed as soon as possible. If you have any questions about receiving updates, please contact Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, D.C. 20551; 202-452-3244.

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